



Government of
Saskatchewan

Financial Statement 2001-02

**Saskatchewan
Correspondence School**

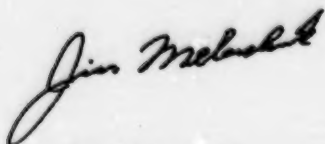
Letter of Transmittal

**The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan**

Your Honour:

**I have the honour to submit for your consideration the Financial Statements of the
Saskatchewan Correspondence School for the year ending March 31, 2002.**

Respectfully submitted:

A handwritten signature in black ink, appearing to read "Jim Melenchuk", written in a cursive style.

**Jim Melenchuk
Minister of Education**

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2002



Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Correspondence School Revolving Fund as at March 31, 2002 and the statements of operations and accumulated operating surplus/deficit and changes in accumulated net recovery for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 30, 2002

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

Current:	2002	2001
Petty cash	\$ 225	\$ 225
Accounts receivable	138,272	126,013
Inventories	54,454	44,684
Prepaid expenses	5,271	1,551
	<u>198,222</u>	<u>172,473</u>
Capital assets (Note 6)	36,664	73,720
Accumulated net recovery (Statement 3)	192,670	231,665
	<u>\$ 427,556</u>	<u>\$ 477,858</u>

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 110,993	\$ 132,742
Unearned revenue	380,052	366,518
	<u>491,045</u>	<u>499,260</u>
Fund Equity:		
Accumulated operating surplus/(deficit) (Statement 2)	<u>(63,489)</u>	<u>(21,402)</u>
	<u>\$ 427,556</u>	<u>\$ 477,858</u>

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	2002		2001
	Budget	Actual	Actual
	(Note 10)		
Revenue:			
Sales	\$ 243,400	\$ 249,059	\$ 240,893
Less: Cost of goods sold	110,000	142,417	123,645
Gross profit	133,400	106,642	117,248
Registration fees	97,000	109,155	109,405
Tuition	1,265,162	1,150,239	1,195,722
Other revenue	3,100	15,612	4,711
Total Revenue	1,498,662	1,381,648	1,427,086
Operating expenses:			
Salaries	1,657,769	1,627,076	1,585,286
Marking fees	80,000	33,525	37,844
Computer support and maintenance	121,800	65,207	115,834
Telephone expense	40,000	25,680	29,196
Advertising and printing	23,500	23,644	23,856
Amortization	52,000	42,705	55,194
Office and educational expenses	31,297	25,009	35,531
Postage	57,000	88,783	80,003
Other	23,500	17,106	16,840
Total Expenses	2,086,866	1,948,735	1,979,584
Net income/(loss) from operations	(588,204)	(567,087)	(552,498)
Subsidy from General Revenue Fund	575,000	525,000	495,000
Net income/(loss) (Note 8)	<u>\$ (13,204)</u>	(42,087)	(57,498)
Accumulated operating surplus/(deficit), beginning of year		<u>(21,402)</u>	36,096
Accumulated operating surplus/(deficit), end of year - to Statement 1		<u>\$ (63,489)</u>	<u>\$ (21,402)</u>

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET RECOVERY
For the Year Ended March 31

	<u>2002</u>	<u>2001</u>
Financing (provided by) required for operating activities:		
Net loss/(income)	\$ 42,087	\$ 57,498
Items not affecting working capital		
- Amortization	(42,705)	(55,194)
Net increase/(decrease) in working capital items related to operations (Note 7)	<u>33,964</u>	<u>(41,843)</u>
	33,346	(39,539)
Financing required for investing activities:		
Purchase of capital assets	<u>5,649</u>	<u>11,211</u>
Net increase/(decrease) in financing requirements	38,995	(28,328)
Accumulated net recovery, beginning of year	<u>231,665</u>	<u>203,337</u>
Accumulated net recovery, end of year - to Statement 1	<u><u>\$ 192,670</u></u>	<u><u>\$ 231,665</u></u>

(See accompanying notes to the financial statements)

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Authority and Definition of Entity

The Revolving Fund was established April 1, 1990, pursuant to Section 11 of *The Education Act, 1995*. The purpose of the Saskatchewan Correspondence School Revolving Fund is to provide educational services at the high school level, Grades 9-12, to Saskatchewan residents through distance education.

2. Significant Accounting Policies

These financial statements have been prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Recovery and Note 7. The following accounting policies are considered significant.

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the total cash outflow from/to the General Revenue Fund. It represents the total annual financing requirements resulting from the net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the Revolving Fund includes the following:

- i) Net expenditure/(recovery) for each fiscal year; and
- ii) The book value of assets acquired at no charge from another government agency.

c) Capital Assets

Capital assets are recorded at cost. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated surplus. Donated equipment is recorded at fair market value.

Amortization is provided on office and audio/visual equipment on a straight-line basis at an annual rate of 20% from the date of acquisition. Computer software and hardware are amortized at an annual rate of 25% from the date of acquisition.

d) Inventory

Inventory is valued at the lower of average cost and net realizable value.

e) Revenue recognition

Revenue from tuition fees is recorded in income as the services are provided.

3. Authorized Financing

Section 11(12) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 776/90 the maximum amount has been set at \$1,200,000.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit of the Correspondence School Revolving Fund is \$100,000.

5. Tuition Fees and Other Related Costs

The Revolving Fund's Correspondence School tuition fees and other related recoverable costs are described in the annual Correspondence School Calendar. These costs and tuition fees are reviewed periodically with the view to operating the Revolving Fund as close to the break even point as possible.

6. Capital Assets

	2002		2001	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office & audio/visual equipment	\$ 20,712	\$ 18,839	\$ 1,873	\$ 2,647
Computer hardware/software	878,189	843,398	34,791	71,073
	<u>\$ 898,901</u>	<u>\$ 862,237</u>	<u>\$ 36,664</u>	<u>\$ 73,720</u>

Amortization provided in the financial statements for the current year amounted to \$42,705.
(2001 - \$55,194)

7. Net Change in Working Capital Items Related to Operations

	2002	2001
Increase in accounts receivable	\$ 12,259	\$ 12,029
Increase in prepaid expenses	3,720	858
Increase in inventories	9,770	4,649
Decrease/(increase) in accounts payable and accrued liability	21,749	(76,142)
Decrease/(increase) in unearned revenue	(13,534)	16,763
	<u>\$ 33,964</u>	<u>\$ (41,843)</u>

8. Amount Reported in Public Accounts

The net expenditure of the Revolving Fund reported in the Public Accounts is the net income/loss of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2002	2001
Net loss from operations	\$ 42,087	\$ 57,498
Increase in inventory balance	9,770	4,649
(Decrease) in net capital assets	(37,056)	(43,983)
Amounts not included in Public Accounts, due to timing	42,696	15,714
Net expenditure, reported in the Public Accounts	<u>\$ 57,497</u>	<u>\$ 33,878</u>

9. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	2002	2001
Telephone	\$ 25,680	\$ 29,196
Postage	88,783	80,003

Other transactions with related parties and amounts due to/from them are described separately in the financial statements.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision is reflected in these financial statements.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable and accrued liabilities. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net recovery has been omitted because it is not practicable to determine the fair value with sufficient reliability.